

Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTIA 03683 042144Z
ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 DODE-00
PM-04 H-01 L-03 NSC-05 PA-01 PRS-01 SS-15 /080 W
-----050914Z 003030 /23

R 042110Z MAY 77
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 4666

LIMITED OFFICIAL USE SANTIAGO 3683

EO 11652: NA
TAGS: ETRD CIEC EGEN PFOR EFIN CI
SUBJ: CIEC: CHILEAN POSITION ON GENERALIZED DEBT RELIEF: CHILEAN
REPUTATION AMONG INTERNATIONAL BANKERS

REF: A 76 SANTIAGO 3361, B SANTIAGO 3373

1. SUMMARY: IN FOLLOW-UP TO AMBASSADOR'S CALL ON FOREIGN MINISTER CARVAJAL, REGARDING CIEC, (REF B) ECON COUNSELOR CALLED ON ENRIQUE TASSARA, CENTRAL BANK MANAGER OF EXTERNAL FINANCING, TO DISCUSS CHILEAN ATTITUDE ON GENERALIZED DEBT RELIEF. (SIMILAR CONVERSATION WITH TASSARA A YEAR BEFORE HAD BEEN BASIS FOR REF A.) TASSARA REITERATED CHILEAN DISTRUST OF DEBT RESCHEDULING. COMMENTNON FOREIGN BANK ASSESSMENT OF CHILEAN CREDIT WORTHINESS, AND GOC HOPES FOR EVEN BETTER TERMS, CONCLUDED THE CONVERSATION. CLEARLY CHILEAN OPTIMISM, FED BY ITS BANK RATING, WILL COLOR ITS ATTITUDE ON GENERALIZED DEBT RELIEF. END SUMMARY.

2. GENERALIZED DEBT RELIEF. TASSARA GENERALLY CONFIRMED THE CAUTIOUS CHILEAN POSITION SET FORTH REF A. NATURALLY, HE HAPPENED TO INTERJECT, IF THE DEVELOPED CREDITOR COUNTRIES WERE TO OFFER ALL DEVELOPING DEBTOR COUNTRIES RELIEF FROM THESE ENORMOUS OBLIGATIONS, CHILE WOULD NOT SAY NO. BASICALLY, CHILE DOES NOT
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTIA 03683 042144Z

LIKE RESCHEDULING. IT WAS LIKE AN ASPIRIN THAT RELIEVED THE PAIN ONLY TEMPORARILY, ALL IT REALLY DID WAS TO "BUNCH UP" (ABULTAR) THE OBLIGATIONS FOR FUTURE YEARS. THE NEXT THREE YEARS WOULD BE THE WORST FOR CHILE, IN PART BECAUSE OF OBLIGATIONS RESCHEDULED FROM PRIOR YEARS. MOREOVER, PAYING ON THE NOSE WAS PSYCHOLOGICALLY HEALTHIER, FORCING THE GOC TO FACE ITS INTERNATIONAL FINANCIAL PROBLEMS MORE SUARELY.

3. CHILEAN BANKING REPUTATION. CHILEAN SELF-CONFIDENCE HAS BEEN GREATLY STRENGTHENED IN RECENT MONTHS, SAID TASSARA, BY AN INCREASINGLY FORTHCOMING ATTITUDE ON PART OF PRIVATE BANKS. THIS WAS REFLECTED IN LONGER TERMS AND GRACE PERIODS AND LOWER INTEREST DEMANDED. RECENT LOAN BY FIRST NATIONAL OF CHICAGO (PANAMA) TO THE CENTRAL BANK OF US\$50 MILLION, FOR EXAMPLE, WAS FOR FIVE YEARS, WITH INTEREST RATE AT LIBOR PLUS 2 PERCENT, AND WITH GRACE PERIODS OF 18 MONTHS FOR PART OF LOAN AND 3 YEARS FOR THE BALANCE. ANOTHER LOAN, BY AN UNSYNDICATED GROUP OF NEW YORK BANKS TO CORFO, THE STATE DEVELOPMENT AGENCY, FOR US\$35 MILLION, EMBODIED SIMILAR CONDITIONS. A PRIVATE GERMAN LOAN FOR D.M. 50 MILLION HAD SLIGHTLY MORE FAVORABLE TERMS FOR THE CENTRAL BANK. THESE INCLUDED TWO YEARS OF GRACE AND TWO YEARS OF EFFECTIVE REPAYMENTS.

4. THESE NEW TERMS WERE STRIKINGLY MORE FAVORABLE THAN THOSE OF THE US\$125 MILLION NEGOTIATED A YEAR AGO BY THEN FINANCE MINISTER CAUAS WITH A SYNDICATE OF NEW YORK BANKS HEADED BY MORGAN GUARANTY. ALL CAUAS COULD GET WAS THREE AND A HALF YEARS WITH NO GRACE PERIOD.

5. TASSARA OBSERVED THAT SINCE MAJOR FOREIGN BANKS KEEP EACH OTHER POSTED ON TERMS EXTENDED TO MAJOR BORROWERS, THE CONSISTENCY IN THE IMPROVEMENT OF TERMS WAS A FAIRLY ACCURATE MEASURE OF THE IMPROVEMENT OF CHILE'S INTERNATIONAL BANKING REPUTATION GENERALLY. THE CENTRAL BANK HOPES TO ACHIEVE SIX AND A HALF YEAR TERMS BY THIS TIME NEXT YEAR, ACCORDING TO TASSARA. ACCORDING, HOWEVER, TO A VISITING TEAM FROM THE CHASE MANHATTAN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SANTIA 03683 042144Z

BANK, WHICH WAS AWARE OF THE CENTRAL BANK'S SIX AND HALF YEAR GOAL, CHILE WAS STILL RATED AS A FIVE YEAR COUNTRY.
POPPER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, DEBT REPAYMENTS, BANK LOANS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SANTIA03683
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770157-1012
Format: TEL
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770595/aaaaddy1.tel
Line Count: 100
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 70538c9a-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2643567
Secure: OPEN
Status: NATIVE
Subject: CIEC: CHILEAN POSITION ON GENERALIZED DEBT RELIEF: CHILEAN REPUTATION AMONG INTERNATIONAL BANKERS
TAGS: ETRD, EGEN, PFOR, EFIN, XX, CI, CIEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/70538c9a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009